

## Message Text

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42

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

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CIEP-02 LAB-04 SIL-01 OMB-01 TAR-01 AGR-10 /119 W

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R 061712Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0882

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USDEL MTN GENEVA

UNCLAS LONDON 06864

E.O. 11652: N/A

TAGS: ETRD, UK

SUBJECT: "FINANCIAL TIMES" EDITORIAL ON POSSIBLE UK  
IMPORT CONTROLS

RE/: LONDON 4767

1. AN EDITORIAL IN THE "FINANCIAL TIMES" OF MAY 6  
WELCOMES BRITAIN'S WILLINGNESS TO RENEW THE OECD TRADE  
PLEDGE, BUT STATES THAT THE UK COULD STILL DECIDE TO  
INTRODUCE IMPORT CONTROLS AS A RESULT OF PRESSURE ON  
STERLING OR A RAPID INCREASE IN UNEMPLOYMENT.  
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2. ACCORDING TO THE EDITORIAL, CHANCELLOR HEALEY CONSIDERED IMPORT CONTROLS "VERY SERIOUSLY" BEFORE THE LAST BUDGET. "HE DECIDED AGAINST (CONTROLS MAINLY BECAUSE HE WOULD HAVE HAD TO CLAMP DOWN ON HOME DEMAND FURTHER THAN HE DID, IF THE CONTROLS WERE TO BE EFFECTIVE."

3. IN THE FACE OF SEVERE PRESSURE ON STERLING OR UNEXPECTEDLY HIGH UNEMPLOYMENT, THE GOVERNMENT WOULD WANT TO STIMULATE BUSINESS ACTIVITY, BUT TO DO SO IN A WAY THAT LEADS TO EXPORT PROMOTION OR IMPORT SAVINGS, AND NOT TO THE KIND OF INCREASED DOMESTIC EXPENDITURE THAT BRITAIN CANNOT AFFORD. THE ONLY TWO WAYS TO DO THIS, THE EDITORIAL SAYS, ARE TO ALLOW THE EXCHANGE RATE TO DEPRECIATE OR TO IMPOSE DIRECT CONTROLS ON IMPORTS.

4. "NEARLY ALL THE OBJECTIVE ARGUMENTS, WHETHER OF EFFICIENCY, CONSUMER CHOICE OR INTERNATIONAL REPERCUSSIONS, ARE ON THE SIDE OF THE EXCHANGE RATE WEAPON. THE ARGUMENT AGAINST IS THAT IT IS SUPPOSED TO PROVIDE A COST INFLATIONARY IMPULSE."

5. THE WHOLE BUDGET STRATEGY, THE EDITORIAL SAYS, IS BASED ON THE HOPE THAT THE PAINFUL CHOICE BETWEEN DEPRECIATION AND IMPORT CONTROLS CAN BE AVOIDED. IT REMAINS TO BE SEEN WHETHER THIS WILL WORK. MEANWHILE, "BRITISH MINISTERS WILL BE MAKING THEIR OWN ASSESSMENT ON IMPORT CONTROLS AT PERIODIC INTERVALS."

RICHARDSON

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Current Classification:** UNCLASSIFIED  
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